

Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00

FMC-01 INR-07 NSAE-00 CG-00 OFA-01 DLOS-04 L-03 SS-15

NSC-05 SP-02 H-02 STR-04 TRSE-00 PRS-01 XMB-02 NSCE-00

INRE-00 /061 R

DRAFTED BY EB/TT/MA:SVSMITH

APPROVED BY EB/TT/MA:RKBANK:CJR

MARAD:FRAITER/JHOEN

FMC:RSHREVES

ARA/LA/BC: WLOWENTHAL

ARA/ECP:MDAVILA

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O 161547Z JAN 76

FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO IMMEDIATE

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E.O. 11652: N/A

TAGS: EWWT, CI

SUBJECT: DISCRIMINATORY SHIPPING PRACTICES

REF: (A) SANTIAGO 0268, (B) STATE 272393, 18 NOV. 1975

(C) STATE A-8430, 8 NOV. 1974

1. DEPARTMENT AND OTHER CONCERNED WASHINGTON AGENCIES
APPRECIATE EXCELLENT REPORTING AND ANALYSIS CONTAINED
REF A. DEPARTMENT, FMC, AND MARAD CONCUR FULLY IN PLANNED
ACTION OUTLINED IN PARA. 11, REF A AND WISH ONLY TO
DRAW EMBASSY'S ATTENTION TO THE FOLLOWING, EVEN THOUGH
IT IS NO DOUBT FULLY UNDERSTOOD BY EMBASSY.

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2. COUNTERVAILING MEASURES AVAILABLE TO USG ARE

PRIMARILY WITHDRAWAL OF EXIMBANK WAIVERS BY MARAD AND ACTION BY FMC UNDER SECTION 19 OF MERCHANT MARINE ACT, 1920. ENCLOSURE TO REF C AND PARA 2, REF B OUTLINE SECTION 19 PROCEDURES (NOTE THAT FMC GENERAL ORDER 33 HAS BEEN AMENDED SOMEWHAT FROM THAT ENCLOSED WITH REF C, BUT THAT THESE PROCEDURES REMAIN SUBSTANTIALLY AS IN THE ENCLOSURE). EMBASSY SHOULD BE AWARE THAT SHOULD IT RECOMMEND THAT THE FMC INITIATE SECTION 19 PROCEDURES, WE WOULD PROVIDE THE COMMISSION (AS CONTEMPLATED PARA 12, REF A) WITH INFORMATION

NECESSARY FOR THE COMMISSION TO DETERMINE WHETHER CHILEAN PRACTICES CONSTITUTE "CONDITIONS UNFAVORABLE TO SHIPPING IN THE FOREIGN TRADE OF THE UNITED STATES." FROM THE EVIDENCE AVAILABLE DEPARTMENT BELIEVES IT IS LIKELY THAT THE COMMISSION WOULD FIND "CONDITIONS UNFAVORABLE" AND THAT IT WOULD, IN DUE COURSE, REQUEST THE DEPARTMENT TO RESOLVE THE CONDITIONS DIPLOMATICALLY WITHIN A SPECIFIC PERIOD OF TIME. THE FMC REQUEST WOULD PROBABLY INCLUDE SPECIFIC COUNTERVAILING MEASURES TO EQUALIZE THE CONDITIONS SHOULD OUR DIPLOMATIC EFFORTS FAIL.

3. PARA 3, REF B, OUTLINES THE PROCEDURES MARAD WOULD FOLLOW IN WITHDRAWING EXIMBANK WAIVERS. THESE PROCEDURES ENTAIL A MUCH SHORTER REACTION TIME THAN SECTION 19 PROCEDURES DESCRIBED ABOVE AND, THEREFORE, ONCE THE DIRECT THREAT OF WAIVER WITHDRAWAL WERE MADE, THEIR ACTUAL WITHDRAWAL COULD BE ALMOST INSTANTANEOUS IF NECESSARY. LIKEWISE, THE WAIVERS MAY BE QUICKLY REINSTATED WHEN DISCRIMINATORY CONDITIONS ARE ELIMINATED. KISSINGER

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